

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY LONDON IMMEDIATE
INFO AMCONSUL BELIZE
AMCONSUL HONG KONG
AMEMBASSY BRIDGETOWN
AMCONSUL HAMILTON
AMEMBASSY PARIS

C O N F I D E N T I A L STATE 071392

LONDON FOR ASST. SECY. HARTMAN

E.O. 11652: GDS

TAGS: EAIR, UK

SUBJECT: CIVAIR - US/UK AVIATION NEGOTIATIONS--FIFTH
ROUND--MARCH 28-30 SESSIONS

SUMMARY. US AND UK DELS MET FOR TWO BRIEF SESSIONS MARC;
28. USDEL TABLED PROPOSED CAPACITY ARTICLE (US/RENEG/13),
REVISED CAPACITY ADDENDUM (US/RENEG/8-REV-2), PROPOSED
ARTICLE ON CHARTER OPERATIONS LINKING LONG-TERM CHARTER
UNDERSTANDING TO SCHEDULED SERVICE AGREEMENT (US/RENEG/10),
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REVISED RATE ARTICLE (US/RENEG/6-REV-1), AND IN ORDER MAIN-
TAIN ,ACE OF NEGOTIATIONS DESPITE ABSENCE OF BRITISH COM-
MITMENT WITH RESPECT TO CAPACITY, US PROPOSAL FOR ROUTES TO
BRITAIN (US/RENEG/10). PLENARY SESSION AFTERNOON MARCH 29
PROVIDED OP,ORTUNITY FOR UKDEL REMONSTRANCE RE US ROUTE
PROPOSAL. CAPACITY, TARIFFS AND ROUTES WORKING GROUPS MET
MARCH 30. END SUMMARY.

1. AT FIRST SESSION MARCH 28 USDEL CHAIRMAN BOYD PRESENTED PROPOSED CAPACITY ARTICLE, REVISED CAPACITY ADDENDUM AND COMMENTED ON BOTH PAPERS. HE EXPLAINED PROPOSED CAPACITY ARTICLE WAS ESSENTIALLY CAPACITY ARTICLE OF US STANDARD FORM AGREEMENT AND PROPOSED THAT IT BE ARTICLE MAIN AGREEMENT AND THAT IT GOVERN CAPACITY IN THE BERMUDA, CARIBBEAN, AND HONG KONG MARKETS. WITH RESPECT TO THE NORTH ATLANTIC,

BOYD NOTED THAT THE US HAD MADE MAJOR PHILOSOPHI CONCESSION TO THE UK WHICH WAS INCORPORATED IN THE CAPACITY ADDENDUM AND WHICH WOULD APPLY TO THAT MARKET.

2. BOYD NOTED TWO CHANGES FROM THE PREVIOUS US CAPACITY PROPOSAL. FIRST, THE SO-CALLED "RECEIVING" GOVERNMENT, I.E., THE GOVERNMENT RECEIVING A NOTICE OF CAPACITY INCREASE FROM THE OTHER, WOULD HAVE THE RESPONSIBILITY OF LIMITING OR DENYING CAPACITY INCREASES THAT THE TWO GOVTS MIGHT AGREE WERE NOT WARRANTED. BOYD EXPLAINED THAT THE REASON FOR THIS CHANGE IS THAT UNDER US LAW THE AERONAUTICAL AUTHORITIES OF THE US CANNOT SPECIFY LIMIT OR REGULATE THE CAPACITY TO BE OPERATED BY THE US FLAG CARRIERS. THE SECOND CHANGE WAS THE ADDITION OF A PARAGRAPH SPECIFYING THAT THE ADDENDUM WOULD BE EFFECTIVE FOR A PERIOD OF FIVE YEARS UNLESS EXTENDED. THE PRESCREENING AND CAPACITY GOVERNANCE MECHANISM IN THIS ADDENDUM, HE EXPLAINED FURTHER, WAS A NEW PROCEDURE AND SHOULD BE VIEWED AS AN EXPERIMENT. BOYD CONCLUDED THAT THE US SIDE WAS JUST AS ANXIOUS AS THE UK SIDE TO DEVELOP EFFECTIVE CAPACITY PRO-

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VISIONS. UKDEL CHAIRMAN SHOVELTON EXPRESSED HIS THANKS FOR THE WORK WHICH THE US SIDE HAD OBVIOUSLY DEVOTED TO THE PREPARATION OF THE CAPACITY PAPER.

3. USDEL THEN PRESENTED A PAPER ON CHARTERS. HE POINTED OUT THAT WHILE IT WOULD BE DESIRABLE TO SETTLE CHARTERS, DOING SO SHOULD NOT RISK OUR BEING ABLE TO CONCLUDE MAIN AGREEMENT. DRAFT US ARTICLE WOULD COMMIT EACH SIDE TO MAKE ITS BEST EFFORTS AT CONVERTING THE 1977 CHARTER MEMORANDUM OF UNDERSTANDING TO A LONG-TERM CHARTER ARRANGEMENT. HOWEVER, TO UNDERScore THE SERIOUSNESS WITH WHICH BOTH SIDES TREAT CHARTERS, HE SUGGESTED THAT FAILURE TO REACH A LONG-TERM CHARTER ARRANGEMENT SHOULD BE RECOGNIZED AS CAUSE TO TERMINATE THE MAIN AGREEMENT.

4. UKDEL EXPRESSED THANKS FOR US COUNTER THINK-PIECE. HE NOTED HOWEVER THAT PROPOSAL OF A LONG-TERM CHARTER ARRANGEMENT WOULD NOT BE EASY GIVEN THE UK COMMITMENT TO ECAC NOT TO ENTER INTO BILATERAL CHARTER ARRANGEMENTS THAT EXTEND

BEYOND MARCH 31, 1978.

5. AT THE OPENING OF THE SECOND SESSION ON AFTERNOON OF MARCH 28, USDEL CHAIRMAN PRESENTED A REVISED TARIFF ARTICLE. HE NOTED THAT DESPITE WORK OF TARIFF WORKING GROUP IN LONDON TWO WEEKS EARLIER AND THE FACT THAT THE PROPOSED TARIFF ARTICLE LARGELY REPRESENTED CONSENSUS ARISING FROM THAT WORKING GROUP THERE WAS NEVERTHELESS STILL AN IMPASSE CREATED BY THE BRITISH VIEW THAT COMMISSION RATES SHOULD BE INCLUDED IN THE TARIFF ARTICLE WHILE

IN THE US VIEW THEY SHOULD NOT BE. USDEL THEN EXPLAINED US POLICY IN THIS REGARD NOTING THAT THE INTERNATIONAL AIR TRANSPORTATION POLICY OF THE UNITED STATES REQUIRED THAT COMMISSION RATES BE A FUNCTION OF INDIVIDUAL AIRLINE DECISION. ACCORDINGLY, HE CONCLUDED, THE US POSITION WITH RESPECT TO COMMISSION RATES IS THAT THEY SHOULD NOT BE CONFIDENTIAL

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ADDRESSED IN THE TARIFF ARTICLE AND THAT A SEPARATE ARTICLE SHOULD BE DRAFTED TO PROVIDE FOR COMMISSIONS.

6. UKDEL SAID HE NOTED POSSIBLY THREE BUT DEFINITELY TWO "STUMPS." WHILE HE DID NOT ELABORATE ON WHAT THESE "STUMPS" MIGHT BE HE SAID THIS UNDERLINED THE NECESSITY OF BROADENING THE TARIFF WORKING GROUP. HE EXPLAINED POLICY PROBLEMS HAVE BEEN EXPOSED THAT WILL HAVE TO BE ADDRESSED. USDEL AGREED THAT WHILE POLICY QUESTIONS WOULD OBVIOUSLY AND EVENTUALLY HAVE TO BE SETTLED HE HOPED IN THE MEANTIME THE TARIFF ARTICLE WORKING GROUP COULD SETTLE OR OTHERWISE NAIL DOWN TECHNICAL ASPECTS DURING THIS WEEK. UKDEL CHAIRMAN AGREED.

7. USDEL THEN TABLED THE US PROPOSAL FOR NORTH ATLANTIC ROUTES. HE THEN GAVE A THOROUGH EXPLANATION AND JUSTIFICATION FOR THE US ROUTE PROPOSAL--WRITTEN COPIES OF WHICH HE LATER PROVIDED UKDEL--WHICH ELABORATED ON THE FOLLOWING POINTS: (A) THE US DOES NOT ACCEPT THE CONCEPT OF "MIRROR" OR PARALLEL ROUTE STRUCTURE AS SUGGESTED IN THE UK PRESENTATION. ROUTE STRUCTURES MUST REFLECT THE GEOGRAPHIC AND DEMOGRAPHIC FACTORS WHICH DIFFER FOR EACH COUNTRY. THE EXCHANGE OF ROUTES SHOULD BE BALANCED IN TERMS OF OPPORTUNITIES. (B) THE US WILL NOT ACCEPT A ROUTE STRUCTURE OMITTING SIGNIFICANT RIGHTS BEYOND LONDON. (C) USG IS FIRMLY COMMITTED TO THE CONCEPT THAT US AIRLINES SHOULD BE FREE TO ARRANGE DOMESTIC SERVICES BEHIND US GATEWAYS AND TO CONNECT US GATEWAY POINTS AS THEY DEEM BEST.

8. THIRD PLENARY SESSION AFTERNOON MARCH 29 WAS BRIEF AND DEVOTED ALMOST EXCLUSIVELY TO INEVITABLE UKDEL EXPOSTULA-

TION WITH RESPECT TO US NORTH ATLANTIC ROUTE PROPOSAL
TABLED PREVIOUS DAY. UK PRESENTATION WHICH VERGED ON THE
BOMBASTIC DESCRIBED US PROPOSAL AS "STAGGERING" AND
"INEQUITABLE", AND WOULD LEAD TO A WORSENING OF THE PRESENT
IMBALANCE OF BENEFITS. SPECIFICALLY, UKDEL INDICATED UK
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WOULD NOT PERMIT OPERATIONS FROM A NUMBER OF US CITIES NOT
IN PRESENT ROUTE ANNEX (E.G., NEW ORLEANS, MINNEAPOLIS,
DENVER), NOR WOULD IT PERMIT CONTINUATION OF ROUND-THE-
WORLD SERVICE THROUGH LONDON. HE CONCLUDED THAT US ROUTE
PROPOSAL WAS NOT A BASIS FOR NEGOTIATION.

9. FOLLOWING AN INCONCLUSIVE EXCHANGE AS TO WHEN THE NEXT

PLENARY SESSION SHOULD TAKE PLACE AND WHAT IT SHOULD
CONSIDER, THE MEETING ADJOURNED.

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Subject: CIVAIR - US/UK AVIATION NEGOTIATIONS--FIFTH ROUND--MARCH 28-30 SESSIONS SUMMARY. US AND UK DELS MET FOR TWO BRIEF SESSION
TAGS: EAIR, UK, US
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